

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

May 10, 2021

3:33 p.m.

MEMBERS PRESENT

Senator Joshua Revak, Chair
Senator Peter Micciche, Vice Chair
Senator Gary Stevens
Senator Natasha von Imhof
Senator Jesse Kiehl
Senator Scott Kawasaki

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

SENATE BILL NO. 84

"An Act relating to the veterans' land purchase discount; establishing state land vouchers; relating to the permanent fund dividend; relating to the duties of the Department of Revenue; authorizing the Department of Natural Resources to accept state land vouchers; relating to eligibility for public assistance; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 84

SHORT TITLE: LAND VOUCHERS; PFDS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

| | | |
|----------|-----|---------------------------------|
| 02/12/21 | (S) | READ THE FIRST TIME - REFERRALS |
| 02/12/21 | (S) | STA, RES, FIN |
| 03/02/21 | (S) | STA AT 3:30 PM BUTROVICH 205 |
| 03/02/21 | (S) | Heard & Held |
| 03/02/21 | (S) | MINUTE(STA) |
| 03/11/21 | (S) | STA AT 3:30 PM BUTROVICH 205 |
| 03/11/21 | (S) | Heard & Held |
| 03/11/21 | (S) | MINUTE(STA) |
| 03/23/21 | (S) | STA AT 3:30 PM BUTROVICH 205 |

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|----------|-----|---------------------------------|
| 03/23/21 | (S) | Moved SB 84 Out of Committee |
| 03/23/21 | (S) | MINUTE(STA) |
| 03/24/21 | (S) | STA RPT 2NR 3AM |
| 03/24/21 | (S) | NR: SHOWER, COSTELLO |
| 03/24/21 | (S) | AM: KAWASAKI, HOLLAND, REINBOLD |
| 05/10/21 | (S) | RES AT 3:30 PM BUTROVICH 205 |

WITNESS REGISTER

MIKE BARNHILL, Deputy Commissioner
 Department of Revenue
 Juneau, Alaska

POSITION STATEMENT: Introduced SB 84 on behalf of the administration.

MARTY PARSONS, Director
 Division of Mining, Lands, and Water
 Department of Natural Resources
 Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on SB 84.

ED MARTIN, representing self
 Kenai, Alaska

POSITION STATEMENT: Testified during the hearing on SB 84 and urged the committee to keep it simple.

ACTION NARRATIVE

[3:33:39 PM](#)

CHAIR JOSHUA REVAK called the Senate Resources Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Stevens, Kawasaki, Kiehl, and Chair Revak. Senators Micciche and von Imhof arrived soon thereafter.

SB 84-LAND VOUCHERS; PFDS

[3:34:15 PM](#)

CHAIR REVAK announced the consideration of SENATE BILL NO. 84 "An Act relating to the veterans' land purchase discount; establishing state land vouchers; relating to the permanent fund dividend; relating to the duties of the Department of Revenue; authorizing the Department of Natural Resources to accept state land vouchers; relating to eligibility for public assistance; and providing for an effective date."

[3:34:41 PM](#)

MIKE BARNHILL, Deputy Commissioner, Department of Revenue, Juneau, Alaska, stated SB 84 creates the Permanent Fund Dividend (PFD) voucher program whereby PFD applicants may elect a land voucher in lieu of a cash dividend. The land voucher, which is worth double the cash value of the statutory PFD, may be used to purchase state land from the Department of Natural Resources. For example, if the statutory PFD were \$2,300, the face value of the land voucher would be \$4,600. He reported that the precedent for using land vouchers in this country started after the American Revolutionary War to compensate veterans. In Alaska, land vouchers have been used to compensate World War II veterans during Territorial Days. He said the governor's objective is to get more state land into the hands of Alaskans.

[3:35:30 PM](#)

SENATOR MICCICHE joined the committee meeting.

[3:37:23 PM](#)

SENATOR STEVENS requested additional information on the territorial vouchers.

MR. BARNHILL confessed he had not been able to find any details about the program. He offered to do a little more research and suggested a member of the committee may have more information.

CHAIR REVAK asked Mr. Parsons if he had any information on a pre-statehood voucher program in Alaska.

[3:38:15 PM](#)

MARTY PARSONS, Director, Division of Mining, Lands, and Water, Department of Natural Resources, Anchorage, Alaska, stated the division does not have information on any voucher program in Alaska either pre-statehood or post-statehood.

CHAIR REVAK asked Senator Stevens if he would like additional information.

SENATOR STEVENS answered yes; the information is germane if a voucher program worked in the past. He said he looks forward to receiving the information.

[3:38:55 PM](#)

SENATOR VON IMHOF joined the committee meeting.

MR. BARNHILL committed to try harder to get the information.

[3:39:35 PM](#)

MR. BARNHILL reviewed the details of the land voucher program. Slide 2 read as follows:

[Original punctuation provided.]

- Land Voucher Program Details
 - Vouchers can't be used to buy Mental Health Trust lands
 - Parents can't apply for vouchers for their children
 - Vouchers can't be used to pay rents or fees - just sale price
 - Vouchers only available to PFD applicants who use the electronic application
 - PFD applicants need to be determined eligible within the PFD year
 - Vouchers are transferable and never expire
 - Dept of Revenue will track voucher transfers, and will replace lost, stolen or destroyed vouchers
 - Vouchers may be garnished up to the value of the cash PFD
 - Cash from PFDs not paid in cash because of voucher election lapses to General Fund
 - DHSS and other benefits programs must consider voucher as income or resources in determining benefits eligibility

[3:43:05 PM](#)

SENATOR STEVENS commented on the potential for abuse if the vouchers were transferable, and questioned the wisdom of allowing the vouchers to be bought and sold. He also questioned the reasoning for allowing the voucher to be garnished only to the cash value of the statutory PFD. He suggested it might be best to base the value of both the voucher and garnishment on the cash value of the PFD.

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MR. BARNHILL stated the garnishment would be up to the cash value of the PFD in all cases. He cited the example of a land voucher that has a face value of \$4,600; only \$2,300 of that could be garnished. This ensures that for garnishment purposes, all PFD applicants are treated equally. More importantly, he

said implementing it this way would require the division to make the least adjustment to the PFD program.

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SENATOR STEVENS asked him to address the transferability issue.

MR. BARNHILL answered he did not see that allowing the land vouchers to be transferred would create the potential for abuse. He offered his perspective that the land vouchers plausibly would be worth more than the cash value of the PFD at the time they are issued. He posed the following hypothetical:

Let's assume for the sake of argument that somebody knows they can tender it for \$4,600 and somebody wants to sell it, but they're willing to take less than \$4,600, and somebody knows they can get \$4,600 worth of land from the Department of Natural Resources. If it gets transferred for \$2,301, that's \$1 more than the cash value of the PFD. That person's \$1 to the good. By electing that land voucher, they end up having more value in their pocket even though they transferred it at less than face value.

MR. BARNHILL acknowledged the possibility of somebody in distress transferring the land voucher for less than the cash value of the PFD. Nevertheless, he said the administration was not proposing to regulate transfers in any way.

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SENATOR MICCICHE stated support for the idea of the land voucher program but expressed concern about whether it protects a disadvantaged family from going without when the only support they may get from a parent is the value of their PFD when it is garnished.

MR. BARNILL said he misspoke earlier because the land voucher could only be garnished up to the actual value of the PFD for that year. Thus, a family who is relying on child support payments would be no better or worse off with this proposal. Somebody who elects a cash PFD could have it garnished up to \$1,000 and the land voucher is also subject to garnishment up to \$1,000. He opined that through the legal system a family could garnish the residual paper land voucher. In this example, the voucher would be worth \$3,600 and the spouse could sell that. He acknowledged that was not a very straightforward process for the family. He offered another scenario and acknowledged it was unlikely.

3:50:42 PM

SENATOR KIEHL asked if somebody could use multiple land vouchers to purchase a piece of land.

MR. BARNHILL answered yes.

SENATOR KIEHL asked how the taxable gain is calculated when a land voucher is sold in the secondary market.

3:51:30 PM

MR. BARNHILL replied his understanding is that the capital gains rate would apply to the sale price of the voucher less the \$1,000 basis.

SENATOR KIEHL asked if there would be a taxable event if somebody with a \$1,000 tax basis in a \$4,600 voucher were to use it to purchase land.

MR. BARNHILL answered no; the taxable event would occur when the land is sold.

MR. BARNHILL issued the disclaimer that he was not a tax expert. He offered to provide an expert upon request.

3:53:03 PM

SENATOR KIEHL asked if somebody could get cash back if the value of the vouchers they had were worth more than the price of the land they were buying.

MR. BARNHILL answered no.

SENATOR KIEHL asked if similar to the PFD program, a young adult could go back and apply for past land vouchers if their parents had not applied for a PFD on their behalf.

MR. BARNHILL answered he was unaware whether the bill provided for that or not, but he believes it should.

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SENATOR MICCICHE said his only concern with the bill relates to the garnishment potential for parents who are in arrears for child support payments. He noted the supplemental option Mr. Barnhill suggested for families to use the legal system to garnish the remaining value of the voucher and said he wished that had been designed into the bill. He asked Mr. Barnhill if

he would be willing to take that back to the administration for consideration.

MR. BARNHILL replied the concern is fair and he would take it back to the policy team to discuss and consider.

[3:56:18 PM](#)

MR. BARNHILL returned to the presentation and paraphrased the policy objectives on slide 5, which read as follows:

- Lands in Alaskan Hands

Help fulfill the Alaska Constitution's mandate to develop state resources to benefit the public.

MR. BARNHILL opined it was fair to argue that the U.S. is a leading economy because of the way it got land into the hands of Americans.

Make Alaska land more accessible to all by making it easier for Alaskan's to purchase land.

No other state has less land in private hands than Alaska.

The PFD Land Voucher Bill is a response to the demand, by helping individual Alaskan's realize land ownership.

The PFD Land Voucher Bill would be a win-win for both the individual Alaskan and the state treasury.

[3:58:07 PM](#)

SENATOR STEVENS asked what would happen in the hypothetical situation where he and Senator Micciche both want to purchase the same piece of land.

MR. BARNHILL deferred to Mr. Parsons to explain DNR's process when there is competition for the same parcel.

[3:58:46 PM](#)

MR. PARSONS explained that the department conducts sealed bid auctions and the face value of the voucher would be applied to the bid for the parcel. For example, if the voucher is worth \$4,300 and the high bid for the parcel is \$10,300, the individual would have to assume a contract for \$6,000. Competition for the same parcel is sorted out through the

auction. If a person is purchasing the parcel through an over-the-counter sale, the first person to put in a bid in the online process purchases the parcel. He said the department envisions the land voucher program will run in the regular competitive land sales process and the voucher will serve as a piece of the payment.

[4:00:15 PM](#)

SENATOR KIEHL asked if there are any limitations on land types that can be purchased. Specifically, is it solely recreational land or could it also be agricultural or some other commercial land.

MR. PARSONS answered the vouchers could be used as a form of payment on any land that has been classified for disposal as part of the land sale program.

[4:01:15 PM](#)

SENATOR MICCICHE referenced the cash flow hypothetical on slide 5 where the PFD was \$1,000 and the statutory PFD for that year was \$2,300. He asked the logic for using the two times multiplier on the statutory PFD rather than on the \$1,000 that was actually paid.

MR. BARNHILL replied the governor's consistent policy is that the legislature should appropriate to the statute for the PFD and as long as the original formula is in law, the two times multiplier for the value of the land voucher should be computed against that formula.

SENATOR MICCICHE asked the reason for valuing the land voucher at 200 percent of the statutory formula.

MR. BARNHILL answered he believes that policy call is to generate interest and provide an incentive to participate in the program as well as to accelerate the rate at which state land is sold and placed in the hands of Alaskans.

[4:03:51 PM](#)

SENATOR KIEHL asked what assumptions were used in the cash flow hypothetical on slide 5 that suggests that the land ultimately sold would be worth \$300 million in a year or about twice the value of the land vouchers.

[4:04:18 PM](#)

MR. BARNHILL stated the numbers are purely hypothetical and are only intended to demonstrate where the money goes. There was no

intention to suggest that 40,000 Alaskans actually would participate in the program and purchase \$300 million in state land. The assumptions have no basis.

SENATOR KIEHL posed a hypothetical scenario where his entire family pools their vouchers to purchase a parcel to build a cabin with a minimum cash outlay. He questioned the reason the state would go through this process when the result could be very little money going into the general fund. He suggested it might be easier to instead giving all PFD applicants a onetime coupon that allows the purchase of state land at a 77 percent discount.

MR. BARNHILL answered the administration suggested this straightforward proposal to incentivize Alaskans to purchase state land. The transfer feature adds value and is a benefit that would not be available with a land discount program.

[4:07:04 PM](#)

SENATOR KIEHL asked if somebody could donate their voucher to the Sierra Club, for example, and write off the entire 4,600 on their federal income tax.

MR. BARNHILL replied he would try to find the answer.

MR. BARNHILL continued the presentation with the cash flow hypothetical on slide 5. He said the assumptions are a statutory PFD of \$2,300 per person; a PFD appropriation of \$1,000 per person, and a land voucher of \$4,600 per person. Hypothetically 600,000 people will elect the cash PFD and 40,000 will elect the land voucher. The money moves as follows: \$600 million moves from the Earnings Reserve Account (ERA) to the general fund (GF) and then to the Permanent Fund Dividend Fund. The \$600 million in cash PFDs are paid to Alaskans and the \$40 million that was not paid out for a cash PFD lapses to the general fund. The 40,000 Alaskans who did not elect the \$1,000 PFD instead receive land vouchers that in total amount to \$184 million ($\$4,600 \times 40,000$ vouchers). The hypothetical further assumes that \$300 million in land is ultimately sold. The \$184 million in land vouchers is applied to the \$300 million leaving a balance of \$116 million that the holders of the land vouchers are hypothetically required to tender in cash to buy the \$300 million in land sold ($\$184 + \$116 = \$300$). The \$40 million that lapsed into the general fund and the \$116 million in cash paid into the general fund from the land sales brings an additional \$156 million into the general fund. He highlighted that the bill

has a mechanism for DNR to ask for some of that money to keep the voucher program going.

[4:10:34 PM](#)

MR. BARNHILL displayed an image of what the State of Alaska \$4,600 land voucher could look like. It has a serial number in the upper right corner and the back will have a transfer record.

CHAIR REVAK asked Mr. Parsons if he had anything to add.

MR. PARSONS stated DNR supports SB 84 as an opportunity for Alaskans to purchase more state land.

[4:12:11 PM](#)

CHAIR REVAK opened public testimony on SB 84.

[4:12:22 PM](#)

ED MARTIN, representing self, Kenai, Alaska, informed the committee that he came up with the original idea for the land voucher during the Knowles administration and it has changed a lot since then. His vision was for a parent to help their children realize the American dream with land in trust for them. He asked what in the proposed program would prevent a parent from transferring their land to their children in a trust. He said he wants to make sure the land can be transferred only to Alaskans. He offered his belief that the government will make out very well in the proposed voucher program. He urged the committee to keep the program simple. He concluded, "Open it up for our children and let's create a tax base in perpetuity to government."

[4:16:44 PM](#)

CHAIR REVAK discerned no one else wished to comment and closed public testimony on SB 84.

SENATOR MICCICHE clarified that SB 84 had not been amended. The only difference between this bill and the one introduced in the last legislature is the vouchers can now be tracked.

[4:17:38 PM](#)

CHAIR REVAK agreed and announced he would hold SB 84 in committee for further consideration.

[4:18:30 PM](#)

There being no further business to come before the committee, Chair Revak adjourned the Senate Resources Standing Committee meeting at 4:18 p.m.